



GAMAGARA

Local Municipality (NC 453)

Adjustments Budget 2013/14

ADJUSTMENTS BUDGET 2013/2014

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1.1

STATEMENT OF THE MAYOR ON THE MID TERM BUDGET ADJUSTMENTS

Delivered by

Cllr. DP MOYO

Honourable Councillors

Chairpersons of various Portfolio Committees

The Municipal Manager

Managers accountable to the accounting officer and the entire staff component

Ward Committees Members

Ladies and Gentlemen

MID TERM BUDGET ADJUSTMENT 2013 /2014

INTRODUCTION

South Africans, we are urged by the Minister of Finance, Honourable Pravin Gordhan, in the 21st budget speech of our country and I quote; “we must celebrate the 20th anniversary of our democracy despite the tough economic times we’re facing”

It is thus against this backdrop that we are confronted with a challenge after the Mid-Year Budget Assessment when a deficit budget was in sight due to proposed adjustments that has convinced Council to approve a revised annual budget as recommended in the Mid-Year Report, 31 December 2013. We are here today to receive further detail with the presentation of realities of the proposed Adjustments Budget, Medium Term Revenue and Expenditure Framework 2013/14 – 2015/16 to conclude with an important requirement for the delivery of services to our communities.

We are also aware that the budget is immensely influenced by the Social and Labour Plan (SLP) commitments from the Local Mining Companies, and that these capital injections has added value to our Infrastructure Investment Projects as per our Integrated Development Plan (IDP). However, in the same context does it seem to be true that

all good things face challenges and sometimes unnecessarily when there's constantly mentions of non-alignment of the IDP and budget as a result of these provisions.

It is indeed on this note that management is urged to ensure that the procurement and implementation of these projects become meaningful opportunities that would secure economic benefits for our emerging contractors and entrepreneurs in addressing the imbalances of the past.

Business as usual should definitely stop to allow these opportunities for skills development, a critical phenomenon in this sphere of government, to take place and the growth of the emerging small businesses be realised as envisaged in our vision statement of a "Futuristic Economy". The Minister of Finance, Honourable Pravin Gordhan reiterated on numerous occasion when presenting the Budget Speech that government must work hand in glove with small businesses in order to create jobs and grow the economy. We are optimistic that with the sustainable growth there will be a determination by all of us collectively to move South Africa forward.

The Council has performed quite well in terms of the revenue anticipated for collection mid-year as compared to the previous financial year. Our challenges however, are in the areas that would add to our cash flow, like the fines expected from Traffic Services and Khai- Apple Resort currently under upgrading construction.

Inclining bulk purchases of Water and Electricity are definitely worsened by the losses experienced with the provision of these trading commodities.

For Council to fund some of the capital projects from internally generated income, the sale of land planned should come off to achieve this goal which now faces a downward adjustment. Generally we didn't do well in spending on the National Capital Grants. However, there has been a drastic improvement on the Public Contribution spending especially on Road and Water Infrastructure although the overall expenditure was only 22% on the total capital budget by mid-year.

The other cause for concern is the Employee Related Costs that was already at 57% spent by mid-year.

PURPOSE

In terms of the Municipal Budget and Reporting Regulations made in terms of Section 168 of the Municipal Finance Management Act, 2003, (Act No. 56 of 2003) as set out in the Schedule, I hereby table this adjustment budget and the revision to the service delivery targets and performance indicators in the SDBIP for adoption by Council based on the reasons stated above.

1.2 Adjustments Budget Tables

B-Schedules - Adjustments Budget 2013/14

- 1. Table B1 Adjustments Budget Summary**
- 2. Table B2 Adjustments Budget Financial Performance (standard classification)**
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- 9. Table B9 Asset Management**
- 10. Table B10 Basic Service Delivery Measurement**

Key among the ten (10) core tables, Annexure A below, are the tables that informs the adjustments budget votes as follows;

- Table B3 – Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) and**
- Table B5 – Adjustments Capital Expenditure Budget by Vote and Funding**

Table B4 on the other hand, gives detail of various adjustment movements in the Budget Financial Performance by revenue and expenditure or commonly known as the operating budget.

2. Executive Summary

2.1 Adjustments to budget assumptions – will primarily be as a result of the mid-year assessment required in terms of section 72 of the Municipal Finance Management Act No56 of 2003, effecting up or downward movements impacting on the approved annual budget.

2.2 Adjustments to budget funding

Indicated here below are the respective line item movements with a result of an increase of R7.8m or 2% of the total annual budget.

The consideration of the up or downward adjustments emanates from mid-year actual variances and further explanations below will especially be for the items adjusted downward;

- Rental of facilities – the upgrading of Khai-Appel, the main source, is in progress
- Interest on external investments – no significant investments currently
- Fines – the anticipated income will not be achieved due to new mechanism now been put in place to improve on the necessary controls of this service
- Gains on disposal of PPE – the sale land anticipated during the planning will only be achieved in part

Additional revenue of R890 525, is from an insurance claim for vehicles torched in the Olifantshoek protests including a donation from Kumba with regard to our financial model that is currently in progress.

Added on the additional revenue/ funding is a commitment from COGHSTA of R4 9m for 70 houses approved in the Sesheng 490 Housing Project.

Unspent grants of R1 986 690 for Libraries and housing as at 30 June 2013 set off against R2 782 967 added to housing subsidies in the approved annual budget represents the negative (R886 277) in terms of section 28 (2) (f) of the Municipal Finance Management Act No56 of 2003

Schedule 1.

ADJUSTMENTS BUDGET BY REVENUE SOURCE, EXPENDITURE TYPE & VOTE

Description	Total Adopted Budget 2013/14	Actual 31 Dec 2013	Actual %	ADJUSTMENTS					
				Accum. Funds/ Unspent Grants	Unfore. / Unavoid.	Nat or Prov Gov	Other Adjusts	Additional Revenue	Proposed Adjusted Budget
Property rates	21 344 000	12 147 400	57%				2 950 800		24 294 800
Property rates - penalties & collection charges	-	-							-
Service charges - electricity revenue	96 395 266	48 683 474	51%				4 819 763		101 215 029
Service charges - water revenue	39 138 354	18 754 031	48%						39 138 354
Service charges - sanitation revenue	11 626 266	6 846 185	59%				2 066 104		13 692 370
Service charges - refuse revenue	10 630 285	6 646 115	63%				2 661 945		13 292 230
Service charges - other	35 000 000	23 641 550	68%				5 000 000		40 000 000
Rental of facilities and equipment	2 173 957	292 503	13%				-1 500 000		673 957
Interest earned - external investments	500 000	59 627	12%				-300 000		200 000
Interest earned - outstanding debtors	-	-							-
Dividends received	-	-							-
Fines	371 551	61 410	17%				-190 000	-	181 551
Licences and permits	782 872	422 082	54%						782 872
Agency services	1 953 935	1 069 182	55%						1 953 935
Other revenue	3 220 313	3 694 070	115%				-	890 525	4 110 838
Transfers recognised - operational	33 313 967	16 483 008	49%	-		4 953 158	-886 277		37 380 848
Gains on disposal of PPE	15 000 000	4 486 579	30%				-6 500 000		8 500 000
Total Revenue (excluding capital transfers and contributions)	271 450 766	143 287 216	53%	-	-	4 953 158	8 122 335	890 525	285 416 784
National Government	39 215 000	17 373 000	44%						39 215 000
Provincial Government	34 839 200	1 922 884	6%			-100 000			34 739 200
Public contributions & donations	49 220 000	23 582 159	48%					-6 057 600	43 162 400
Total Revenue (including capital transfers and contributions)	394 724 966	186 165 259		-	-	4 853 158	8 122 335	-5 167 075	402 533 384

The funding of the RBIG project; Kathu Bulk Water Scheme of R700 000 reduced to R600 000 as notified by the Department of Water Affairs (DWA)

A revised position as agreed on the social labor plan (SLP) contributions from Khumani Mine constitutes the reduction of R6 057 600 as seen in the table above and mainly resulted in discontinued projects to upgrade parks and other public places.

The above movements resulted in the total revenue, excluding capital transfers and contributions to increase from R271.4m to R285.4m and the total revenue including capital transfers and contributions from R394.7m to R402.5m

2.3 Adjustments to operating expenditure

Table below indicates the various expenditure line items impacted by the adjustments proposed, both upward and downward as assessed in the mid-year report.

Virements in and between votes were performed to prevent overspending but major and material upward adjustments as indicated in the mid-term, 31 December 2013 were necessary in areas such as;

- Employee related costs
- Bulk purchases
- Finance charges and
- Contracted services, which increased the total operating expenditure from R214 695m to R242 473m as seen below

NC453 Gamagara - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
Expenditure By Type												
Employee related costs		67 889	-	-	-	-	-	7 178	7 178	75 067	79 946	84 823
Remuneration of councillors		2 505						248	248	2 753	2 667	2 830
Debt impairment		2 237							-	2 237	2 351	2 466
Depreciation & asset impairment		10 140	-	-	-	-	-	-	-	10 140	10 662	22 280
Finance charges		3 022						656	656	3 679	2 574	2 275
Bulk purchases		64 090	-	-	-	-	-	18 400	18 400	82 490	73 400	84 140
Other materials		-	-					-	-	-	-	-
Contracted services		5 532	-	-	-	-	-	822	822	6 354	6 678	7 005
Transfers and grants		11 465					4 953	1 897	6 850	18 314	5 577	5 780
Other expenditure		47 817	-	-	-	-	-	(6 376)	(6 376)	41 441	49 105	52 779
Loss on disposal of PPE		-	-						-	-	-	-
Total Expenditure		214 695	-	-	-	-	4 953	22 825	27 778	242 473	232 958	264 378
Surplus/(Deficit)		56 756	-	-	-	-	-	(13 812)	(13 812)	42 944	64 107	21 754
Transfers recognised - capital		74 054					(100)		(100)	73 954	36 643	40 210
Contributions		49 220						(6 058)	(6 058)	43 162	44 500	12 500
Contributed assets									-	-		
Surplus/(Deficit) before taxation		180 030	-	-	-	-	(100)	(19 870)	(19 970)	160 060	145 250	74 464
Taxation									-	-		
Surplus/(Deficit) after taxation		180 030	-	-	-	-	(100)	(19 870)	(19 970)	160 060	145 250	74 464
Attributable to minorities									-	-		
Surplus/(Deficit) attributable to municipality		180 030	-	-	-	-	(100)	(19 870)	(19 970)	160 060	145 250	74 464
Share of surplus/ (deficit) of associate									-	-		
Surplus/ (Deficit) for the year		180 030	-	-	-	-	(100)	(19 870)	(19 970)	160 060	145 250	74 464

The operating budget surplus decreased from R56.7m to R42.9m and as indicated above, being part of the funding of the capital budget that also decreased from R180m to R160m.

2.4 Adjustments to councilor allowances and employee benefits

The increase of R248 086 to the remuneration of councilors is as gazette.

The employee related costs however raised a concern in the mid-year assessment report that it would need an upward adjustment to further accommodate the new organogram.

2.5 Adjustments to capital expenditure

In Table 5 below are the clear indications of the downward adjustments made primarily from the institutional needs which include some projects that can be classified as “nice to have” as implied on by National Treasury.

This process was of absolute importance to prevent a deficit budget as these were the project funded by internal funds deriving from the surplus that has reduced as a result of adjustments in the operating budget as shown and mentioned above.

NC453 Gamagara - Table B5 Adjustments Capital Expenditure Budget by vote and funding -

Description	Ref	Budget Year 2013/14									Budget Year +1 2014/15	Budget Year +2 2015/16
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
R thousands		A	A1	B	C	D	E	F	G	H		
Capital Expenditure - Standard												
<i>Governance and administration</i>		2 909	–	–	–	158	–	(1 509)	(1 350)	1 559	–	–
Executive and council		50				158			158	208	–	–
Budget and treasury office		271						(96)	(96)	175	–	–
Corporate services		2 588						(1 413)	(1 413)	1 175	–	–
<i>Community and public safety</i>		59 617	–	–	–	–	–	(18 920)	(18 920)	40 697	13 424	–
Community and social services		2 350						(1 000)	(1 000)	1 350	–	–
Sport and recreation		14 115						(12 405)	(12 405)	1 710	600	–
Public safety		764						(615)	(615)	149	12 824	–
Housing		42 332						(4 900)	(4 900)	37 432	–	–
Health		57						–	–	57	–	–
<i>Economic and environmental services</i>		23 446	–	–	–	–	–	(5 634)	(5 634)	17 813	2 100	3 100
Planning and development		2 883					500	(1 099)	(599)	2 284	600	600
Road transport		20 563					(500)	(4 535)	(5 035)	15 528	1 500	2 500
Environmental protection		–						–	–	–	–	–
<i>Trading services</i>		94 058	–	–	–	662	–	5 272	5 934	99 992	126 293	58 310
Electricity		8 793						(1 530)	(1 530)	7 263	45 350	11 100
Water		37 161				209		10 262	10 471	47 633	43 800	10 000
Waste water management		43 123				453		(1 480)	(1 027)	42 096	34 143	34 210
Waste management		4 980						(1 980)	(1 980)	3 000	3 000	3 000
<i>Other</i>		–						–	–	–	–	–
Total Capital Expenditure - Standard	3	180 030	–	–	–	820	–	(20 790)	(19 970)	160 060	141 817	61 410
Funded by:												
National Government		39 215							–	39 215	36 643	40 210
Provincial Government		34 839					(100)		(100)	34 739	–	–
District Municipality		–							–	–	–	–
Other transfers and grants		–							–	–	–	–
Total Capital transfers recognised	4	74 054	–	–	–	–	(100)	–	(100)	73 954	36 643	40 210
Public contributions & donations		49 220						(6 058)	(6 058)	43 162	44 500	12 500
Borrowing		–							–	–	–	–
Internally generated funds		56 756						(13 812)	(13 812)	42 944	64 107	21 754
Total Capital Funding		180 030	–	–	–	–	(100)	(19 870)	(19 970)	160 060	145 250	74 464

Vote/s with explanations of the capital expenditure adjustments are drawn from the table above and consists of unforeseen, unavoidable and other expenditure as well as additional funding:

Vote	Project/Description	Orig. Budget	Adjustments	Proposed Adjusted Budget	Funding Source
Council Gen.	Laptops	R-	R158 500	R158 500	Internal
Finance	LDVs(4xMeter Readers	R96 000	-R96 000	R-	Internal
Corporate	LDV	R40 000	-R40 000	R-	Internal
	Laptops	R-	R52 561	R52 561	Internal
Admin Bldgs	H/R System	R500 000	-R300 000	R200 000	Internal
	IT System (server)	R500 000	-R200 000	R300 000	Internal
	Fencing – offices/ Dibeng	R400 000	-R400 000	R-	Internal
	Tel System - upgrade	R420 000	-R420 000	R-	Internal
Cleansing	Landfill site	R2000 000	-R1000 000	R1000 000	Internal
Parks/ Sports & Rec	Parks/ Sports facility, Swimming pools	R4 625 000	-R4 625 000	R-	Khumani
	Swimming pool –W/gelee	R 500 000	-R500 000	R-	Internal
	Park - Kathu	R 450 000	-R 450 000	R-	Internal
	MPCC - Sesheng	R1 500 000	-R1 500 000	R-	Internal
	Vehicles	R 330 000	R-	R-	Internal
	Kha-Appel - upgrade	R5 000 000	-R5 000 000	R-	Khumani
Traffic Services	Blue lights & sirens	R 365 000	-R 365 000	R-	Internal
Disaster	Emergency vehicle	R 250 000	-R 250 000	R-	Internal
Housing & Land use Mgnt	Survey & Registrations	R3 000 000	-R3 000 000	R-	Khumani
	Municipal Hses-upgrade	R 500 000	-R 400 000	R100 000	Internal
	Employee living units	R1 500 000	-R1 500 000	R-	Internal
Infrastructure	Office furniture – Director	R-	R 70 000	R 70 000	Internal
Services	Office furniture – staff	R-	R 101 250	R101 250	Internal
	Workshop/upgrading-OFH	R 650 000	-R 650 000	R-	Internal
	Workshop/upgrading-Dibeng	R 500 000	-R 500 000	R-	Internal
LED	Fencing – comm. land	R-	R 500 000	R 500 000	EPWP
Community Involvement &IP	30 Seater bus	R 120 000	-R 120 000	R-	Internal
Roads	Constr. Roads - Dibeng	R9 495 000	-R4 495 000	R5 000 000	Khumani
	LDV	R 40 000	-R 40 000	R-	Internal
Electricity	66Kv Supply - Kathu	R1 100 000	-R1 100 000	R-	Khumani
	Electrification of Park - kathu	R 500 000	-R 250 000	R250 000	Internal
	LDVs	R 80 000	-R 80 000	R-	Internal
Water	Bulk Supply - Kathu	R 700 000	-R 100 000	R600 000	DWA
	LDVs x 4	R 160 000	R 440 000	R600 000	Internal
	Provision of water– 92 stands OFH	R-	R4 712 400	R4 712 400	Khumani
	Provision of water- 1300				

	stands - Dibeng	R6 000 000	R7 450 000	R13 450 000	Khumani
	Toolboxes - plumbers	R 300 000	-R 200 000	R100 000	Internal
	Bulk water meters	R1 600 000	-R1 600 000	R-	Internal
	Water truck	R 140 000	-R 140 000	R-	Internal
	Water Reticulation – D/kloof	R-	R 209 063	R209 063	Internal
Water Purification	Technician's office upgrade	R 370 000	-R 300 000	R70 000	Internal
Sewer	Sewer truck	R 140 000	-R 140 000	R-	Internal
	TLB	R 140 000	-R 140 000	R-	Internal
	Vacuum pump (truck)	R 240 000	-R 100 000	R 140 000	Internal
	Drainage pump	R 240 000	-R 100 000	R 140 000	Internal

2.6 Recommendation to Council

That council approves the Adjustments Budget 2013/14 in terms of budget regulation 25, sub-regulation (3)- [when approving an adjustments budget, a municipal council must consider and adopt separate resolutions dealing with matters listed in item 4 of Schedule B] i.e. considering matters referred to in section 28 (2) (b) (c) (d) and (f) of the Act.

2.7 Municipal Manager's quality certificate

GAMAGARA LOCAL MUNICIPALITY



NC453

QUALITY CERTIFICATE

I, THUSOENG CLEMENT ITUMELENG, municipal manager of GAMAGARA LOCAL MUNICIPALITY hereby certify that the Adjustments Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: Thusoeng Clement Itumeleng

Municipal Manager of; GAMAGARA LOCAL MUNICIPALITY (NC453)

Signature:

Date:/02/2014